

CIVIL AIR PATROL • 2015 FINANCIAL REPORT





This publication meets the Annual Report to Congress requirement listed in Title 36 of the United States Code.

A young man with dark hair is wearing a black, multi-vented helmet. He is looking down and slightly to his left. He is wearing a light blue t-shirt and a bright yellow safety vest. His right hand is resting on the side of the helmet. The background is a light-colored, textured wall.

MISSION STATEMENT

Supporting America's communities with emergency response, diverse aviation and ground services, youth development and promotion of air, cyber and space power.



ABOUT CAP

In 2014-2015 Civil Air Patrol celebrated its founding legacy of service with the awarding of replica Congressional Gold Medals to its earliest members, citizen volunteers who contributed mightily to the cause during World War II. This banner year of national recognitions also included CAP being designated as a part of the Air Force's Total Force. And in 2016, CAP observes its 75th year of service to

America. The 75 faces of our members — as seen on the cover of this 2015 Financial Report — represent the great diversity of CAP's volunteer force and service since 1941. Visit <https://goo.gl/zoz6FW> for information about each of these photos.

CAP has long been valued as a force-multiplier for the military as well as for federal, state and local agencies. Averaging 100,000

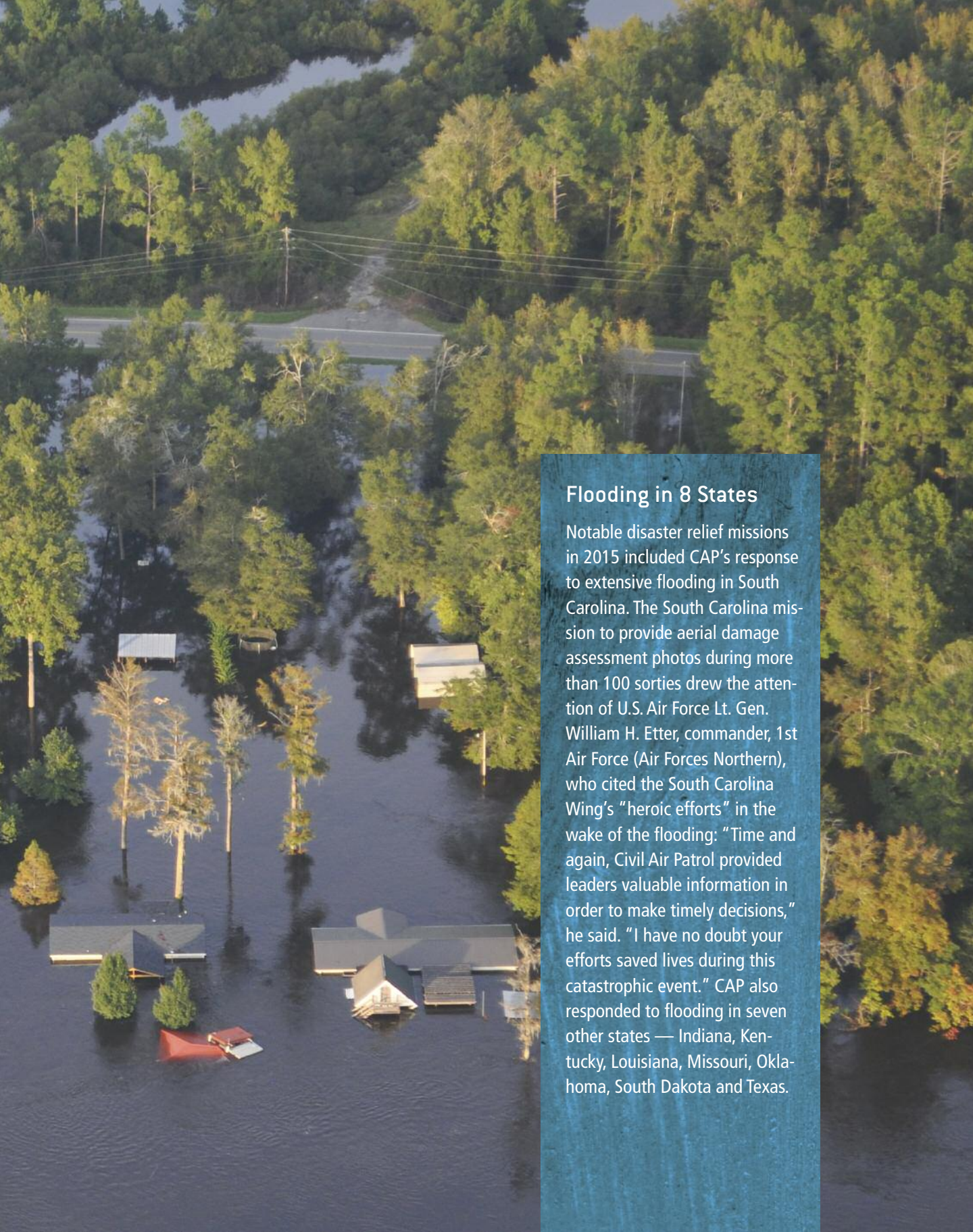
flight hours each year, CAP conducts a wide range of humanitarian missions, helps shape the nation's youth into tomorrow's leaders and furthers science, technology, engineering and math (STEM) education in classrooms across America.





MISSIONS

Every picture tells a story...



Flooding in 8 States

Notable disaster relief missions in 2015 included CAP's response to extensive flooding in South Carolina. The South Carolina mission to provide aerial damage assessment photos during more than 100 sorties drew the attention of U.S. Air Force Lt. Gen. William H. Etter, commander, 1st Air Force (Air Forces Northern), who cited the South Carolina Wing's "heroic efforts" in the wake of the flooding: "Time and again, Civil Air Patrol provided leaders valuable information in order to make timely decisions," he said. "I have no doubt your efforts saved lives during this catastrophic event." CAP also responded to flooding in seven other states — Indiana, Kentucky, Louisiana, Missouri, Oklahoma, South Dakota and Texas.



Homeland Security

CAP aircrews conducting counterdrug and drug interdiction operations flew 9,183 hours helping law enforcement agencies seize \$1.2 billion in illegal drugs and currency, leading to 753 arrests. Members flew an additional 5,228 hours on other homeland security missions.

Saving Lives

CAP annually conducts 90 percent of inland search and rescue missions in the continental U.S. as tasked by the Air Force Rescue Coordination Center and other agencies. CAP members were involved in 863 search and rescue missions in 2015 and were credited by the AFRCC with saving 69 lives. The search for Autumn Veatch (pictured above) in Washington state was a high-profile mission.

Trained for SAR

CAP has 6,945 aircrew personnel and 3,868 ground team members professionally trained and available for search and rescue missions.

Disaster Relief

CAP has 30,761 qualified emergency responders trained to federal standards. These personnel supported 196 disaster relief and other state missions across the country in fiscal year 2015.



Cost Savings

CAP services, performed in the air and on the ground by volunteers, cost an average of \$165 per flying hour—a fraction of the estimated hourly expenses of operating aircraft from the Air Force fleet, including \$689 for an unmanned aerial vehicle, \$7,744 for a search and rescue helicopter and \$9,835 for a C-130 Hercules turboprop.

California Wildfires

The California Wing flew photography missions over two largely controlled wildfire perimeters near Sacramento in 2015, so FEMA could reassess the number of burned buildings and other structures. Eighty-seven flights were made, photographing 232 square miles in the two burn areas. Nearly 4,800 high-quality, georeferenced images were provided to federal and state officials.

Air Defense

CAP aircrews flew 1,164 hours on 190 air defense exercise missions during the past year, helping prepare fighter units across the country to train for their homeland security missions at home and abroad. In one of these Falcon Virgo exercises, CAP partnered with multiple agencies to practice airspace violation procedures for Super Bowl 50.



Training Exercises

Using CAP's Surrogate UAS planes, aircrews increased their participation in 21 exercises designed to train U.S. and allied warfighters before they deploy to combat zones overseas. Members were recognized by the Air Force with the Commander's Public Service Award for their performance in CAP's Green Flag mission at Nellis Air Force Base, Nevada, and

Fort Polk, Louisiana. CAP also participated in other military-related exercises like Noble Eagle and Angel Thunder. The Arizona Wing provided ground team support and aerial communication relay capabilities during Angel Thunder — the largest search and rescue and disaster relief exercise in the world.



Aerial Photography

Now that aerial photography is Civil Air Patrol's No. 1 emergency services mission, geotagging-capable cameras have been fielded to support all CAP aircraft. The cameras provide high-resolution imagery for disaster relief as well as other homeland security missions.



A Force-Multiplier

In 2015, Civil Air Patrol volunteers provided a more than \$165 million value in volunteer service hours to the 1,500 communities they serve nationwide.

Safety First

Members' safety in providing emergency services and disaster relief is a top priority for CAP, as reflected in the organization's consistently low accident and incident rates.

Nation's Largest Volunteer Chaplaincy

The Chaplain Corps membership of 900-plus offers moral and spiritual support across America. The corps — with 438 chaplains and 464 character development instructors — is the nation's largest volunteer chaplaincy. Members often fill in for U.S. military chaplains who are deployed overseas. The Chaplain Corps is one of the oldest chaplaincies in the country, celebrating its 65th anniversary in 2015.

Professional Development

Civil Air Patrol's equipment and technology require CAP's professional development program to be vast and multifaceted, allowing members to increase their knowledge and expertise on an ongoing basis while providing professional services to their communities.





EQUIPMENT / TECHNOLOGY

Every picture tells a story . . .

Communications Network

CAP's multimillion-dollar interoperable VHF-FM and HF radio communications network consists of over 11,500 fixed and mobile radio stations, 806 high-frequency digital radios and 5,461 mobile radio stations, making CAP a sought-after partner for disaster relief operations.



Impressive Air Fleet

Seventeen new Cessnas were added to the Civil Air Patrol fleet of approximately 550 powered planes in 2015, making it one of the largest single-engine piston aircraft fleets in the world.

Gliders and Balloons, Too

Fifty-five gliders and two hot-air balloons are used by CAP to provide cadet orientation flights. Our cadets are the future of American aviation, and dedicated CAP pilots work to give them opportunities to explore aviation and learn how to fly.





Cell Phone Forensics

The Air Force Rescue Coordination Center credited CAP's cell phone forensics and radar analysis teams with more than 50 lives saved in 2015, including six hikers stranded in Mount Rainier National Park in Washington. Cell phone forensics led a rescue helicopter to within 16 feet of the hikers. The two members of the cell phone forensics team, Col. Brian Ready, left, and Maj. Justin Ogden, received the AFNORTH Commander's Award at the 2015 National Conference.



Sensor Technology

The first CAP aircraft equipped with Cloud Cap TASE400 sensor system rolled out this year. It contains a mid-range sensor that provides high-performance real-time graphics for search and rescue. It is being used to assist U.S. Customs and Border Protection in identifying illegal aliens crossing the border.



VIRB Cameras

More and more CAP aircraft involved in disaster relief are being outfitted with Garmin VIRB cameras, which are attached to the wings of planes, allowing for ground images from directly above. Three wing-mounted cameras were used during the South Carolina flooding mission in 2015.



Program for K-12 Kids

About 20,000 youth in 34 states are K-6 Aerospace Connections in Education (ACE) program kids. The program offered by 346 teachers enriches academics, character education and physical fitness with an engaging grade-specific curriculum.



AEROSPACE EDUCATION

Every picture tells a story...



Model Rocketry

CAP's model rocketry program teaches youth about aerospace while exposing them to associated careers. Through hands-on demonstrations of scientific principles, cadets work toward receiving their model rocketry badges while having fun at the same time.

Support for Teachers

CAP offers a special membership for teachers promoting AE and STEM in their classrooms. This includes Teacher Orientation Program (TOP) Flights that provide educators with the opportunity to experience firsthand the excitement of flying and to expand their aeronautical knowledge, which also benefits 30,000 students annually.



CyberPatriot Leaders

For the past seven years, Civil Air Patrol has been a leader in the Air Force Association's CyberPatriot National Youth Cyber Defense Competition. The Colorado Springs Cadet Squadron team, pictured above, placed third nationally in the most recent All Service division finals. In addition, the Colorado Springs team's captain, Cadet Chief Master Sgt. Victor Griswold, was honored with the inaugural Cyber All American award, presented to the one national competitor who has participated in this national-level event for the entire four years of high school.

STEM Education

Nearly 150,000 K-12 youth across America were exposed to career exploration programs associated with astronomy, flight simulation, model and remote-controlled aircraft, robotics and rocketry, thanks to cost-free STEM kits funded by the Air Force STEM Outreach office. Two new kits — Weather Station and Quadcopter (examined at left by Secretary of the Air Force Deborah Lee James and two cadets from the Alabama Wing) — were added in the past year.

A photograph of three CAP (Civil Air Patrol) cadets in uniform standing in a brick archway. The cadet on the left is a young man with blonde hair, wearing a blue cap and a light blue short-sleeved shirt with dark blue trousers. The cadet in the middle is a young woman with blonde hair, wearing a blue cap and a light blue short-sleeved shirt with a dark blue skirt. The cadet on the right is a young man with dark hair, wearing a blue cap and a light blue short-sleeved shirt with dark blue trousers. They are all smiling and looking towards the right. The background is a brick wall with large arched windows. A blue rectangular box with white text is overlaid on the bottom left of the image.

Promoting Core Values

CAP instills the organization's core values in its cadets — integrity, volunteer service, excellence and respect. Our cadets are drug-free role models in their communities and schools.

A photograph of three young people in military-style uniforms standing in a brick archway. On the left, a young man in a light blue short-sleeved shirt and dark blue trousers and cap is smiling. In the center, a young woman in a similar uniform is looking towards the man on the right. On the right, a young man in a similar uniform is looking back at her. The background is a red brick wall with stone arches, and some greenery is visible through the arch on the left.

CADET PROGRAMS

Every picture tells a story...



Youth Development

Transforming youth into dynamic Americans and aerospace leaders is the primary goal of Civil Air Patrol's Cadet Programs. CAP accomplishes its congressionally mandated Cadet Programs through a curriculum of leadership, aerospace, fitness and character development.

Honoring the Fallen

Every December, in all 52 wings and even overseas, cadets participate in Wreaths Across America observances by presenting the colors and placing wreaths on veterans' graves in national cemeteries and at war memorials.

Learning to Lead

Our program offers cadets in-depth training in leadership and enables them to apply classroom principles to real-world needs. Cadets are encouraged to plan events, to make decisions and to teach and mentor junior-ranking cadets under senior supervision.



Flying High

The opportunity to fly is a major attraction Civil Air Patrol offers youth. During 2015, CAP's pilots flew cadets on 27,862 orientation flights.



Exploring STEM Careers

Through more than 50 National Cadet Special Activities, CAP cadets annually explore careers in a wide variety of fields. Cadets can choose to investigate flying, aircraft maintenance and manufacturing, cyberspace operations, engineering, robotics and emergency services, among others.



Scholarships Available

More than \$60,000 in college and flight scholarships is now available to Civil Air Patrol cadets each year. Last summer, a new Air Force grant for disadvantaged youth expanded CAP encampment opportunities to more than 1,400 cadets across America. Daniel R. Sitterly (pictured), principal deputy assistant secretary of the Air Force for manpower and reserve affairs, visited the Virginia Wing Encampment at Fort Pickett to observe the benefits of CAP encampments.



PUBLIC SERVICE

Every picture tells a story...



The Gift of Life

For many years, the Kansas Wing has transported supplies — including blood — for the American Red Cross. Here, Lt. Col. Mark Lahan, left, Maj. Linette Lahan and Col. Tim Hansen, all members of the Flint Hills Composite Squadron in Junction City, stand in front of the two CAP vehicles the wing uses for the transports.



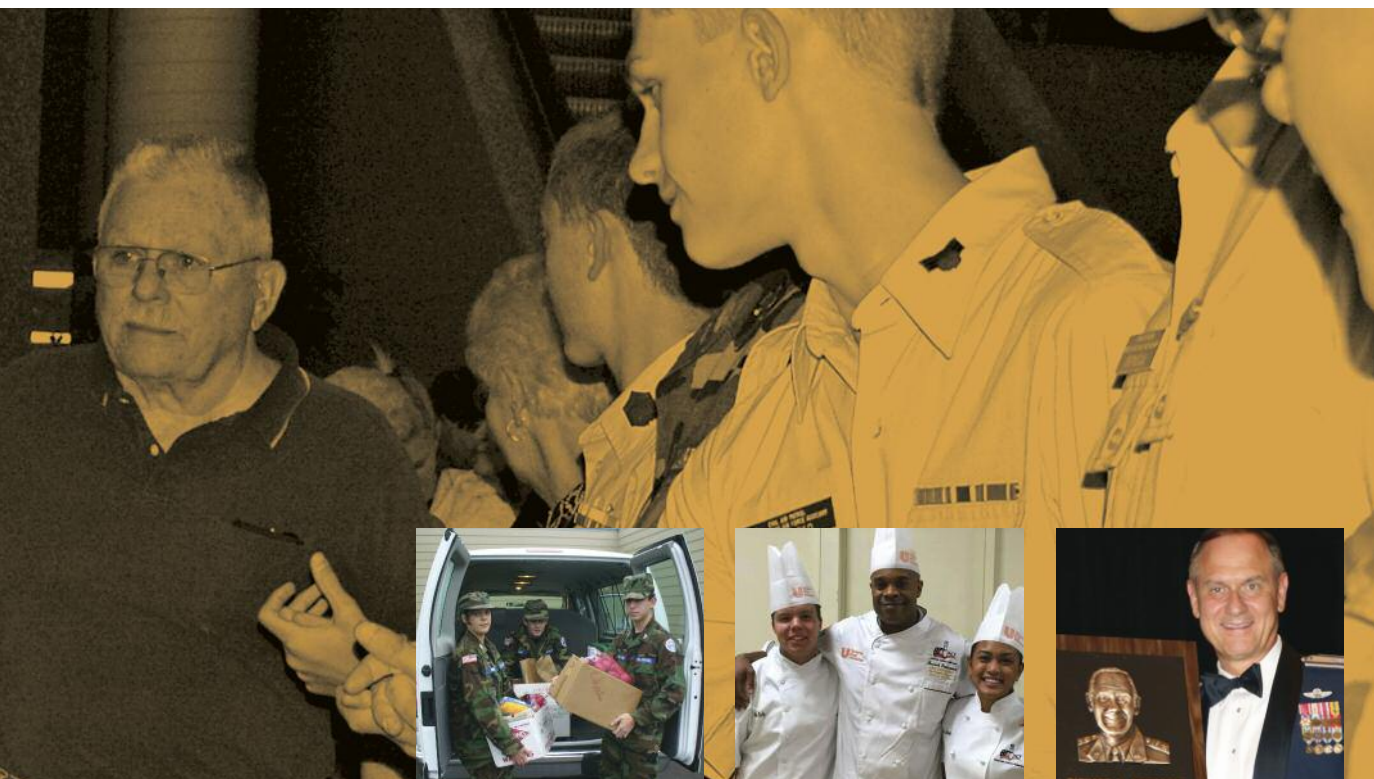
Respect for the Flag

Civil Air Patrol often takes a high-profile turn on the public stage when cadets present the colors at sporting events or for national holidays, such as Memorial Day or Veterans Day. These ceremonies demonstrate the cadets' respect for the flag and love of country.

Honoring Our Vets

CAP members, particularly cadets, are often on hand to recognize the men and women who have served their country in the U.S. military. One of CAP cadets' favorite ways to support aging veterans is by participating in Honor Flights.





Serving Their Communities

The civic-minded adults and youth who make up Civil Air Patrol's approximately 56,000 volunteers don't wait for a disaster to step forward and contribute to the well-being of their communities. CAP members serve their communities in a myriad of ways, including collecting and distributing food and clothing to the needy, carrying out cleanup campaigns and meeting logistical needs for aviation-related events like air shows.

Skyball XIII

CAP members also show their support for soldiers deployed overseas by collecting and mailing care packages to them. They even raise money for veterans' causes, like CAP Cadet Col. Adam Eudy, left, a chef who helped prepare dinner for 4,000 guests at Sky Ball XIII. The event raised \$2.2 million, which was directed to various military contingency funds and other programs to assist military personnel.

Excellence Abounds

CAP's devotion to service has earned the organization and its members not only accolades and appreciation from members of the public but also recognition from local, state, regional, national and even international organizations. Such honors include Brig. Gen. Richard L. Anderson's induction into CAP's Hall of Honor (pictured) and Col. Mary Feik's induction into the First Flight Society, which preserves and honors the legacy of the Wright brothers.



GOVERNANCE



Board of Governors

Civil Air Patrol's Board of Governors is the governing body of the organization. As such, it moves the organization forward through collective decision-making to generate strategic policies, plans and programs designed to guide CAP both today and tomorrow.

Eleven distinguished members make up the Board of Governors. These leaders represent a cross-section of America, drawn from the ranks of CAP volunteers — who also have careers in the nation's workforce — along with U.S. Air Force officers and civilians involved in the fields of education, aviation and emergency management. They are assisted by the national commander and chief executive officer, as well as the organization's chief operating officer and the CAP-U.S. Air Force commander, at left, who act as advisers.

CIVIL AIR PATROL APPOINTED MEMBERS

COL. JAYSON ALTIERI, CAP Member-at-Large (Chairman)

CAP/Air Force/Aviation background:

- 32 years of U.S. Army service, including numerous Army command and staff positions
- Master U.S. Army Aviator with more than 2,500 flying hours, rated in OH-58, UH-1, UH-60 and TH-67 helicopters
- Master U.S. Army Parachutist; awarded Canadian, Belgian and French parachute badges
- 37 years of service in Civil Air Patrol; CAP Command Pilot
- Federal Aviation Administration Commercial Pilot and Instructor Pilot certificates

Career:

- U.S. Army Colonel, Senior Army Fellow, National War College, Fort McNair, Washington, D.C.
- Past Commander, 110th Aviation Brigade, Fort Rucker, Alabama
- Previous service with NATO Standardization Agency in Brussels, Belgium, in addition to assignments as Deputy Chief of Staff for Strategic Plans, NATO Regional Command (East), Bagram, Afghanistan; Commander, 2nd Battalion (Airborne), 82nd Combat
- Norwich University Bicentennial Committee member
- 4th Degree Knight, Knights of Columbus



COL. RALPH L. MILLER, CAP Member-at-Large

CAP/Air Force/Aviation background:

- 34 years with Civil Air Patrol, including most recent service as Pacific Region Deputy Chief of Staff for Operations. Previously served as Nevada Wing Commander and in both Nevada and Michigan wings as Safety Officer, Standardization/Evaluation Officer and Director of Operations
- CAP Mission Pilot and Incident Commander

Career:

- Retired to Nevada in 1999 after 30 years in automotive industry. Held executive positions at General Motors and Rockwell International before becoming president of Modern Engineering and, later, MSX International



COL. TIM VERRETT, CAP Member-at-Large

CAP/Air Force/Aviation background:

- 28 years with Civil Air Patrol, including service as Assistant National Legal Officer
- Completed Level IV of CAP's professional development program
- Master Rating in CAP's Legal Officer specialty track
- Previous CAP service as Acting Commander, Vice Commander and Legal Officer of Pacific Region, as well as Legal Officer for Alaska Wing; also served on numerous national-level committees



AIR FORCE APPOINTED MEMBERS

Career:

- Longtime Anchorage, Alaska, Attorney
- Owner, Law Offices of Timothy C. Verrett
- Serves on Alaska Bar Association Mediation Panel

COL. C. WARREN VEST, CAP Member-at-Large



CAP/Air Force/Aviation background:

- 33 years with Civil Air Patrol, including most recent service as National Finance Officer. Previously served as Director of Operations for both Maryland and Virginia wings; Director of Finance, Chief of Staff, Vice Commander and Interim Wing Commander in Virginia; and Middle East Region Vice Commander
- CAP's first National Finance Officer of the Year for role in creating organization's Wing Banker Program and implementing it for Virginia Wing. Program ultimately led to CAP's first ever unqualified audit opinion for fiscal year 2008
- CAP Command Pilot with a Commercial Pilot certificate
- Served as CAP Mission Pilot and Incident Commander for 20 years

Career:

- Presently retired. Previously served as Vice President of Air Serv International Inc., nonprofit company providing humanitarian air transportation services. Prior to that, co-founded and later served as President and CEO of engineering services company that was U.S. Navy contractor specializing in underwater acoustics, shipboard sonar systems, ship noise and antisubmarine warfare

WILLIAM A. DAVIDSON JR. USAF (Ret) (Vice Chairman)



CAP/Air Force/Aviation background:

- 22 years of Air Force service, primarily as officer in security and investigative programs
- 21 years as member of Senior Executive Service, working as Air Force's senior career Civilian Adviser to Secretary of Air Force

Career:

- Administrative Assistant to Secretary of Air Force, Headquarters U.S. Air Force at Pentagon, Washington, D.C.
- Former Deputy Administrative Assistant, Headquarters U.S. Air Force at Pentagon, Washington, D.C.
- Former Air Force Officer with service as Air Force Office of Special Investigations Agent and Chief of Air Force Polygraph Program
- Colonel, U.S. Air Force, with service as Deputy for Security and Investigative Programs, Headquarters U.S. Air Force

LT. GEN. WILLIAM H. ETTER, USAF Commander, 1st Air Force



CAP/Air Force/Aviation background:

- Numerous Air Force command positions
- Air Force Command Pilot with more than 3,700 flight hours in T-37, T-38 and F-16 aircraft, including service in various operational and staff assignments as F-16 pilot

Career:

- Lieutenant General, U.S. Air Force, currently serving as three-star Commander of Continental U.S. North

American Aerospace Defense Command Region-1st Air Force (Air Forces Northern) at Tyndall Air Force Base, Florida

- Previous service includes Assistant to Chairman, Joint Chiefs of Staff for National Guard Matters at Pentagon in Washington, D.C., as well as assignments as Director of Strategic Plans and Policy; Acting Director, Domestic Operations/Force Development; Director, Domestic Operations; Director for Strategic Plans and Policy at National Guard Bureau in Arlington, Virginia; and Assistant Adjutant General-Air and Director of Operations for Vermont Air National Guard

LT. GEN. JUDITH A. FEDDER
USAF (Ret)



CAP/Air Force/Aviation background:

- 34 years of Air Force service, recently retiring as Lieutenant General and one of most senior-ranking women in the U.S. military

Career:

- Director, Global Sales & Marketing for Boeing Integrated Logistics (IL), a division of Global Services & Support — the U.S. Department of Defense's largest performance-based logistics contractor. Joined Boeing in 2015 after distinguished career in Air Force. Responsible for new business growth and for establishing and leading strategic and tactical planning, marketing coordination and overall proposal support
- Lieutenant General, U.S. Air Force, Deputy Chief of Staff for Logistics, Installations and Mission Support, Headquarters U.S. Air Force at Pentagon, Washington, D.C., from December 2011-July 2015

- Career maintainer, commanded from squadron to wing levels in Air Force maintenance and depot organizations and served as sub-unified commander of the U.S. Forces Azores

BRIG. GEN. LEON A. JOHNSON
USAF (Ret)



CAP/Air Force/Aviation background:

- Numerous Air Force technical and command positions
- Air Force Command Pilot with more than 3,500 hours of military flight time in T-37 trainer and A-37 and A-10 fighter aircraft, including missions over Bosnia in support of Operation Deny Flight
- More than 3,500 hours of flight time as commercial pilot
- National President – Tuskegee Airmen Inc.
- Former CAP Cadet Colonel in California Wing; selected for International Air Cadet Exchange program

Career:

- National President, Tuskegee Airmen Inc.
- Retired from United Parcel Service after nearly 20 years of service as Flight Operations Employment Manager, Administrative Chief Pilot, Asia Chief Pilot, Flight Operations Employee Relations Manager, A300 Training Manager and Manager of Airline Manuals, flying B727 and A300-600 aircraft
- Former Trans World Airlines Line Pilot and Pilot Hiring Manager, flying B727 aircraft
- Brigadier General, U.S. Air Force, with most recent service as Mobilization Assistant to Assistant Secretary of Air Force and Director Operations at Air Education and Training Command

INDUSTRY, GOVERNMENT & EDUCATION APPOINTED MEMBERS

GEORGE PERRY
Senior Vice President
Air Safety Institute



CAP/Air Force/Aviation background:

- Diverse background both in general aviation (active GA pilot since age 16) and military aviation (recently completed 20-year career in U.S. Navy as F-18E Super Hornet squadron commanding officer)
- F-18 and F-14 Pilot Instructor and Check Pilot with over 850 carrier-arrested landings; holds ATP, CFII and MEI certificates with over 5,000 flying hours
- Graduate of U.S. Navy's Aviation Safety School
- Currently owns and regularly flies Mooney M20S

Career:

- Head of Aircraft Owners and Pilots Association's Air Safety Institute, joining in September 2014 as Senior Vice President
- Formerly worked with Cirrus Aircraft as Director of Fleet, Government and Special Mission Sales
- Numerous senior aviation safety leadership positions in the Navy, including Director, F-14 Tomcat fleet safety programs, Safety Director in both Carrier Air Wing Seven and Three, as well as F-18E Super Hornet carrier pilot training manager

MAJ. GEN. TERESA MARNÉ PETERSON, USAF (Ret)
Board of Directors
National Order of Daedalians



CAP/Air Force/Aviation background:

- Director, National Order of Daedalians
- 34 years of Air Force service, including numerous technical and command positions
- Air Force Command Pilot, with more than 2,600 flying hours in KC-10, C-141, T-37 and T-38 aircraft (one of first Air Force women to complete undergraduate pilot training)

Career:

- Major General, U.S. Air Force, with most recent service as Commandant of National War College, Fort McNair, Washington, D.C.
- Previous service included Director of Operations & Training, Deputy Chief of Staff for Air and Space Operations, Headquarters U.S. Air Force at Pentagon, Washington, D.C.; Commander, 305th Air Mobility Wing, McGuire AFB, New Jersey; Director of Transportation, Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force; and Commander, 14th Flying Training Wing, Columbus AFB, Mississippi
- First woman to command Air Force flying squadron as Commander of the 42nd Flying Training Squadron at Columbus AFB in 1990

**BRIG. GEN. S. SANFORD (SANDY)
SCHLITT, USAF (Ret)**
Board of Directors, Air Force
Association



**CAP/Air Force/Aviation
background:**

- Founder of CyberPatriot, Air Force Association's national high school cyber defense competition
- Former Air Force Association Chairman of Board for Aerospace Education and Chairman of Aerospace Education Council

Career:

- Chairman of Air Force Association Board of Directors
- 34 years of Air Force service, mostly in Acquisition-related fields. Command at squadron, wing and numbered Air Force equivalents. Ten years service at Headquarters U.S. Air Force at Pentagon, Washington, D.C.
- Senior Managing Director of mortgage investment trust; extensive entrepreneurial experience with other private business ventures, including startups
- Chairman or Member of executive committee and committees on governance, audit and finance for several non-profit and for-profit entities
- Former Member of Board of Directors of several nonprofits and for-profit entities, including NASDAQ-listed firm
- Senate Staff Member for U.S. Sens. Hubert H. Humphrey and Walter Mondale
- Candidate for U.S. Congress, 1980



ADVISORS TO THE BOARD OF GOVERNORS

**MAJ. GEN. JOSEPH R. (JOE)
VAZQUEZ, CAP**
National Commander/CEO



**CAP/Air Force/Aviation
background:**

- National Commander and Chief Executive Officer of Civil Air Patrol, with previous service as National Vice Commander, Middle East Region Commander, National Operations Advisor and Virginia Wing Commander
- CAP Command Pilot with 3,650 flying hours and 540 glider flights
- Flight Instructor and Check Pilot
- CAP Incident Commander

Career:

- Retired in 2010 as Operations Manager of Computer Sciences Corporation's North American Service Restoration Team
- Former Software Engineer with E.I. Dupont

**COL. MICHAEL D. TYYNISMAA
USAF**
Commander, CAP-USAF



**CAP/Air Force/Aviation
background:**

- Numerous Air Force command positions at squadron and group levels, deployed operationally in A/OA-10 and F-15E and as Air Liaison Officer supporting armored and airborne units of U.S. Army
- Air Force Command Pilot with 2,395 flight hours in fighter and training aircraft, including 449 combat hours

Career:

- Colonel, U.S. Air Force, serving as commander, Civil Air Patrol-U.S. Air Force, Maxwell AFB, Alabama
- Prior to current assignment, commanded 409th Air Expeditionary Group in Niamey, Niger, which provided intelligence, reconnaissance and surveillance support throughout Africa Command's Area of Responsibility. In addition, served as Chief of International Advanced Weapons Programs at Pentagon, Washington, D.C. While assigned to Headquarters Air Force, deployed to Pakistan and served as deputy chief, Security Assistance Office, U.S. Embassy, and coordinated military exercises, engagements and training with the Pakistan military

DON ROWLAND
Executive Secretary/
Chief Operating Officer, CAP



**CAP/Air Force/Aviation
background:**

- Lieutenant Colonel, U.S. Air Force (Ret)
- Rated pilot with 3,400 flying hours
- Helicopter Pilot in Pacific
- Background in search and rescue and aircraft system acquisitions

Career:

- 31 years at CAP National Headquarters, including service as Executive Director, CAP-USAF IG, Senior Director, Director of Plans and Requirements and Director of Strategic Communications and Plans
- U.S. Air Force, both as Pilot and position in System Requirements for Special Operations at Scott AFB, Illinois
- U.S. Coast Guard Exchange




Civil Air Patrol
Air Force Association
ACE PROGRAM



FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

To the Board of
Governors,
Civil Air Patrol

We have audited the accompanying consolidated financial statements of Civil Air Patrol (the Organization), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Civil Air Patrol as of September 30, 2015, and the changes in their net assets, their functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Civil Air Patrol's 2014 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated March 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Warren Averett, LLC

Montgomery, Alabama
March 30, 2016



CIVIL AIR PATROL **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

September 30, 2015

(with comparative information as of September 30, 2014)

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,581,507	\$ 15,092,995
Short-term investments	6,836,983	7,158,315
Accounts, grants, and loans receivable	3,340,500	3,114,404
Inventories	36,736	39,791
Prepaid expenses	578,757	482,622
Total current assets	<u>26,374,483</u>	<u>25,888,127</u>
NONCURRENT ASSETS		
Cash – restricted	2,410,625	2,695,813
Long-term investments	523,996	372,177
Unconditional promises to give	8,367,071	-
Property and equipment, net of accumulated depreciation	<u>96,385,018</u>	<u>88,588,510</u>
Total noncurrent assets	<u>107,686,710</u>	<u>91,656,500</u>
TOTAL ASSETS	<u>\$ 134,061,193</u>	<u>\$ 117,544,627</u>

See notes to the consolidated financial statements.



CIVIL AIR PATROL **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

September 30, 2015

(with comparative information as of September 30, 2014)

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,225,175	\$ 3,204,153
Deferred revenue	914,316	1,009,796
Total current liabilities	4,139,491	4,213,949
TOTAL LIABILITIES	4,139,491	4,213,949
NET ASSETS		
Unrestricted:		
Undesignated	23,365,606	22,577,614
Board designated	5,966,832	6,172,724
	29,332,438	28,750,338
Temporarily restricted	100,458,276	84,442,460
Permanently restricted	130,988	137,880
Total net assets	129,921,702	113,330,678
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 134,061,193</u>	<u>\$ 117,544,627</u>

See notes to the consolidated financial statements.



CIVIL AIR PATROL CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended September 30, 2015

(with summarized information for the year ended September 30, 2014)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS	
				2015	2014
OPERATING REVENUES AND OTHER SUPPORT					
Governmental appropriations and grants	\$ 34,800,557	\$ 13,251	\$ -	\$ 34,813,808	\$ 31,932,558
Other program revenue	1,391,275	1,693,044	-	3,084,319	3,100,049
Membership dues	2,818,658	-	-	2,818,658	2,870,204
Governmental contributions	5,127,403	24,766,094	-	29,893,497	15,547,015
Contributions	2,789,273	398,843	-	3,188,116	3,166,312
Fundraising	1,112,783	-	-	1,112,783	1,120,422
Registration fees and events	1,120,192	-	-	1,120,192	925,200
Publications and advertising	23,096	-	-	23,096	21,250
Sale of materials, supplies, and surplus property	140,646	-	-	140,646	159,922
Interest income	6,261	3,085	20	9,366	6,462
Investment income	334,670	14,323	1,490	350,483	147,123
Other	952,438	2,357	-	954,795	907,836
Net assets released from restrictions	11,135,905	(11,127,503)	(8,402)	-	-
Total operating revenues and other support	61,753,157	15,763,494	(6,892)	77,509,759	59,904,353
OPERATING EXPENSES					
Program services:					
Aerospace education and training	3,812,864	-	-	3,812,864	3,637,539
Cadet programs	7,135,516	-	-	7,135,516	7,168,377
Communication maintenance	665,064	-	-	665,064	760,332
Counterdrug	837,872	-	-	837,872	791,502
Drug demand reduction	274,671	-	-	274,671	278,373
Emergency services	26,128,237	-	-	26,128,237	24,922,702
Total program services	38,854,224	-	-	38,854,224	37,558,825
Supporting services:					
Fundraising	593,670	-	-	593,670	497,603
Management and general	13,969,414	-	-	13,969,414	14,562,080
Membership development	7,114,457	-	-	7,114,457	4,830,546
Strategic communications	114,086	-	-	114,086	117,909
Total supporting services	21,791,627	-	-	21,791,627	20,008,138
Total operating expenses	60,645,851	-	-	60,645,851	57,566,963
Change in net assets from operations	1,107,306	15,763,494	(6,892)	16,863,908	2,337,390
NONOPERATING GAINS AND LOSSES					
Gain (loss) on disposition of property and equipment	(771)	272,474	-	271,703	69,016
Net unrealized and realized gain (loss) on investments	(524,435)	(20,152)	-	(544,587)	417,135
Total nonoperating gains and losses	(525,206)	252,322	-	(272,884)	486,151
CHANGE IN NET ASSETS	582,100	16,015,816	(6,892)	16,591,024	2,823,541
NET ASSETS AT BEGINNING OF YEAR	28,750,338	84,442,460	137,880	113,330,678	110,507,137
NET ASSETS AT END OF YEAR	\$ 29,332,438	\$ 100,458,276	\$ 130,988	\$ 129,921,702	\$ 113,330,678

See notes to the consolidated financial statements.



CIVIL AIR PATROL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2015

(with summarized information for the year ended September 30, 2014)

	Program Services					
	Aerospace Education and Training	Cadet Programs	Communication Maintenance	Counterdrug	Drug Demand Reduction	Emergency Services
Advertising	\$ 1,558	\$ 2,078	\$ 313	\$ 519	\$ 207	\$ 3,116
Aircraft maintenance	19,049	170,506	-	29,470	-	6,686,313
Awards	103,891	115,884	-	-	-	656
Bad debts	-	-	-	-	-	-
Bank and credit card expense	-	-	-	-	-	-
Cadet activities	-	2,519,058	-	-	1,386	123,534
Conference	138,010	199,593	27,576	45,963	18,384	279,647
Contingency	-	5,108	-	-	-	-
Cost of goods sold	27,519	110,076	-	-	-	-
Depreciation	49,742	66,322	13,706	16,581	6,632	8,007,078
Equipment maintenance	60,284	80,378	205,195	20,094	8,038	145,624
Facility maintenance	1,449,366	1,884,061	289,507	462,892	185,155	3,079,941
Fundraising events	-	-	-	-	-	-
Insurance	9,706	15,492	1,942	3,236	1,294	19,413
Interest expense	-	-	-	-	-	-
IT expense	5,720	7,628	1,145	1,906	763	11,441
Legal and accounting	-	-	-	-	-	-
Lobbying	-	-	-	-	-	-
Maintenance and equipment rental	-	-	22,982	-	-	62,663
Miscellaneous	1,197	23,592	239	399	160	5,701
Mission support	767	42	-	126,863	-	4,703,815
Payroll taxes and benefits	132,050	73,799	2,426	4,044	1,617	179,935
Professional services	144,857	272,571	-	-	-	294,076
Professional development	110,493	47,101	-	-	-	5,537
Postage	8,251	11,093	23,937	2,751	1,101	16,500
Printing and publications	4,183	5,576	837	1,395	559	8,366
Procurement	-	-	-	-	-	-
Salaries	569,702	375,602	13,343	22,240	8,895	932,035
Senior activities	218,701	-	-	-	-	37,977
Supplies	531,537	632,939	20,443	32,822	13,129	264,870
Telephone	63,129	84,172	12,627	21,043	8,418	246,285
Travel	103,190	352,895	16,853	25,667	10,938	612,565
Vehicle maintenance	59,962	79,950	11,993	19,987	7,995	401,149
	<u>\$ 3,812,864</u>	<u>\$ 7,135,516</u>	<u>\$ 665,064</u>	<u>\$ 837,872</u>	<u>\$ 274,671</u>	<u>\$ 26,128,237</u>

See notes to the consolidated financial statements.



CIVIL AIR PATROL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended September 30, 2015

(with summarized information for the year ended September 30, 2014)

	Supporting Services				Totals	
	Fundraising	Management and General	Member Services	Strategic Communications	2015	2014
Advertising	\$ -	\$ 8,351	\$ 15,196	\$ 5,867	\$ 37,205	\$ 39,855
Aircraft maintenance	-	61,529	-	-	6,966,867	6,177,242
Awards	-	4,507	19,286	-	244,224	262,834
Bad debts	-	30,089	773	-	30,862	34,250
Bank and credit card expense	392	46,940	-	-	47,332	41,247
Cadet activities	45,500	43,119	-	-	2,732,597	2,618,129
Conference	-	309,429	462,212	27	1,480,841	1,183,687
Contingency	-	13,622	-	-	18,730	6,499
Cost of goods sold	-	-	-	-	137,595	149,472
Depreciation	-	1,835,238	16,582	-	10,011,881	9,990,122
Equipment maintenance	-	120,750	20,094	-	660,457	697,643
Facility maintenance	-	2,358,876	564,148	-	10,273,946	10,344,841
Fundraising events	262,123	-	-	-	262,123	278,875
Insurance	-	1,638,286	3,236	-	1,692,605	1,766,742
Interest expense	-	1,577	-	-	1,577	4,101
IT expense	-	7,628	1,906	-	38,137	38,945
Legal and accounting	-	326,097	-	-	326,097	210,112
Lobbying	9,000	10,000	-	-	19,000	19,077
Maintenance and equipment rental	-	144,836	-	-	230,481	332,805
Miscellaneous	51,402	88,332	3,989	-	175,011	156,814
Mission support	-	2,869	-	-	4,834,356	4,888,076
Payroll taxes and benefits	29,684	871,469	732,594	-	2,027,618	1,885,645
Professional services	27,315	597,359	201,623	40,574	1,578,375	1,390,225
Professional development	1,154	118,649	10,257	-	293,191	268,576
Postage	15,405	100,073	2,751	-	181,862	230,462
Printing and publications	-	5,576	1,395	67,026	94,913	105,954
Procurement	-	-	1,754,931	-	1,754,931	-
Salaries	134,987	3,707,913	2,973,689	-	8,738,406	8,369,557
Senior activities	-	30,852	-	-	287,530	284,522
Supplies	3,685	415,577	36,768	-	1,951,770	2,666,090
Telephone	-	166,923	231,503	-	834,100	627,455
Travel	13,023	798,471	41,537	592	1,975,731	1,855,504
Vehicle maintenance	-	104,477	19,987	-	705,500	641,605
	<u>\$ 593,670</u>	<u>\$ 13,969,414</u>	<u>\$ 7,114,457</u>	<u>\$ 114,086</u>	<u>\$ 60,645,851</u>	<u>\$ 57,566,963</u>

See notes to the consolidated financial statements.



CIVIL AIR PATROL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended September 30, 2015

(with comparative information for the year ended September 30, 2014)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,591,024	\$ 2,823,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,011,881	9,990,122
Net unrealized and realized (gain) loss on investments	544,587	(417,135)
Gain on disposition of property and equipment	(271,703)	(69,016)
Contributed property and equipment	(228,843)	(244,850)
Changes in operating assets and liabilities:		
Accounts, grants, and loans receivable	(226,096)	(278,232)
Prepaid expenses	(96,135)	(74,512)
Inventories	3,055	78,350
Unconditional promises to give	(8,367,071)	1,229,568
Accounts payable and accrued expenses	21,022	42,496
Deferred revenue	(95,480)	61,536
Net cash provided by operating activities	<u>17,886,241</u>	<u>13,141,868</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	287,517	85,916
Purchase of property and equipment	(17,595,360)	(12,182,265)
Proceeds from sale of investments	1,042,307	1,904,311
Purchase of investments	(1,417,381)	(2,088,266)
Net cash used in investing activities	<u>(17,682,917)</u>	<u>(12,280,304)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings	-	(14,584)
Borrowing under line of credit	1,666,010	1,714,589
Repayment of borrowing under line of credit	(1,666,010)	(1,714,589)
Change in contractually restricted cash	285,188	175,188
Net cash provided by financing activities	<u>285,188</u>	<u>160,604</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	488,512	1,022,168
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,092,995</u>	<u>14,070,827</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,581,507</u>	<u>\$ 15,092,995</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,577</u>	<u>\$ 4,101</u>

See notes to the consolidated financial statements.



CIVIL AIR PATROL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Civil Air Patrol (the Organization or CAP), a civilian auxiliary of the United States Air Force (USAF), is a private nonprofit corporation chartered July 1, 1946, under federal law. Civil Air Patrol's principal activities are to provide voluntary contributions of private citizens, and adequate facilities to assist in meeting local and national emergencies, to promote aerospace education and training, and to provide a cadet training and motivation program. The Organization's activities are supported primarily by governmental appropriations, contributions and grants, membership dues, and program fees.

CAP is organized into eight geographic regions. These regions are subdivided into Wings by the states falling within their boundaries. Additionally, the District of Columbia and Commonwealth of Puerto Rico have CAP Wings. These 52 Wings are then subdivided into groups depending upon size.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis, and include the accounts and financial transactions of the National Headquarters and the Regions, Wings and Units below Wing level of Civil Air Patrol. All material transactions between the divisions of the Organization have been eliminated.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are recorded at their fair value in the period received.

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Principles of Consolidation

The consolidated financial statements include the accounts of the Civil Air Patrol Foundation (Foundation). CAP and the Foundation have separate boards, with the majority of CAP's board members in common with the Foundation, and are under common management. All material intercompany transactions and account balances were eliminated in the consolidation of accounts.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in these statements include useful lives for depreciation, contributed facilities, and allocation of expenses by function. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred. Total advertising costs expensed for the year ended September 30, 2015, were \$37,205.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude temporarily and permanently restricted cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the statement of activities as nonoperating gains and losses. Investment income reported as operating revenues consists of interest and dividend income from investments. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts, Grants, and Loans Receivable

Accounts, grants, and loans receivable consist primarily of amounts due from members, CAP organizations and governmental agencies, related to exchange transactions with those parties.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables.

CIVIL AIR PATROL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Inventories

Inventories for use and sale are stated at the lower of cost or market, with cost determined by the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost or, if contributed, at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. It is the Organization's policy to capitalize property and equipment with a fair value or cost over \$5,000.

Compensated Absences

Employees of the Organization earn and accrue annual leave. The cumulative amount of unused annual leave is included in accounts payable and accrued expenses in the statement of financial position.

Deferred Revenue

Deferred revenue includes advance payments of membership dues and fees. Dues are considered exchange transactions and are recorded as revenues in the applicable membership period.

Income Tax Status

CAP has received notification from the Internal Revenue Service recognizing it as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, certain types of income may be subject to tax from unrelated business income as defined by the tax code. The accompanying financial statements include a provision for estimated taxes on 2015 unrelated business income in the amount of \$8,801.

As of September 30, 2015, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements and no interest and penalties related to income taxes. CAP has filed its tax returns through September 30, 2014. The tax returns of the Organization for years ended September 30, 2011, and thereafter are subject to audit by the taxing authorities.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as unrestricted.

Contributions of utilities and use of long-lived assets are recorded at fair rental value, and contributed materials for use are recorded at fair value.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Subsequent Events

Management has evaluated subsequent events through March 30, 2016, which is the date the financial statements were available to be issued.

CIVIL AIR PATROL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015

2. CASH

Cash which has been either restricted by the donor or designated by the governing board of the Organization is presented below:

Contractually restricted by the USAF for:

Future aircraft maintenance, modernization, and procurement	\$ 1,983,462
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Restricted by donors for:

Cadet scholarships and activities	258,016
Aerospace scholarships and activities	36,302
Construction of facility	52,327
Other activities	80,518
Total restricted cash	<u>2,410,625</u>

Designated by the governing board for:

Cadet scholarships and activities	40,811
Facility maintenance	182,286
Reserve	111,370
Total designated cash	<u>335,467</u>

Cash unrestricted and not designated	<u>15,246,040</u>
Total cash	<u><u>\$ 17,992,132</u></u>

Statement of financial position presentation:

Cash and cash equivalents	\$ 15,581,507
Cash – restricted	<u>2,410,625</u>
Total	<u><u>\$ 17,992,132</u></u>

3. INVESTMENTS

Investments are presented at fair market value. Below is a summary of investments by major types:

Corporate bonds	\$ 36,641
Annuities	81,479
Equities	118,591
Mutual funds	7,076,019
Real estate investment trusts	48,249
Total	<u>\$ 7,360,979</u>

The composition of the return on investments is as follows:

Investment income	\$ 350,483
Net unrealized and realized loss on investments	(544,587)
Total	<u>\$ (194,104)</u>
Investment advisory fees	<u>\$ 35,138</u>

Investments which have been either restricted by the donor or designated by the governing board of the Organization are presented below:

Description	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Restricted by donors for:			
Cadet scholarships and activities	\$ 478,839	\$ 29,502	\$ 508,341
Aerospace scholarships and activities	10,134	(723)	9,411
Senior activities	4,022	(287)	3,735
Other activities	2,279	230	2,509
	<u>495,274</u>	<u>28,722</u>	<u>523,996</u>
Designated by the governing board for:			
Reserve	4,285,221	521,482	4,806,703
Cadet scholarships and activities	888,560	(64,689)	823,871
	<u>5,173,781</u>	<u>456,793</u>	<u>5,630,574</u>
Investments unrestricted and undesignated	<u>1,189,179</u>	<u>17,230</u>	<u>1,206,409</u>
Total	<u>\$ 6,858,234</u>	<u>\$ 502,745</u>	<u>\$ 7,360,979</u>

Statement of financial position presentation:

Short-term investments	\$ 6,836,983
Long-term investments	523,996
Total	<u>\$ 7,360,979</u>

CIVIL AIR PATROL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015

4. ACCOUNTS, GRANTS, AND LOANS RECEIVABLE

Accounts, grants, and loans receivable are due from the following:

USAF	\$ 2,780,238
Others	560,262
Total	<u>\$ 3,340,500</u>

5. CONDITIONAL PROMISES TO GIVE

As of September 30, 2015, the Organization received from the USAF conditional promises to give of \$998,467 that are not recognized as assets in the statement of financial position. The promises are conditioned upon the Organization entering into legally binding USAF approved purchase orders for equipment.

6. INVENTORIES

Inventories for use and sale consist of the following:

Educational materials	\$ 9,540
Aircraft fuel	27,196
Total	<u>\$ 36,736</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 90,400
Building and improvements	9,064,161
Aircraft	161,675,953
Computers	2,537,248
Vehicles	24,368,985
Office furniture and equipment	132,998
Building under capital lease	253,148
Communication and other equipment	20,155,840
Construction in progress	53,509
Deposits on aircraft	1,270,500
Equipment not placed into service	<u>3,153,594</u>
	222,756,336
Accumulated depreciation	<u>126,371,318</u>
Net property and equipment	<u>\$ 96,385,018</u>

7. PROPERTY AND EQUIPMENT – CONTINUED

As of September 30, 2015, improvements with a book value of \$157,078 have been made to leased facilities. These improvements are located at the Virginia Wing and North Carolina Wing in the amounts of \$74,592 and \$82,486, respectively.

Depreciation expense for the period ending September 30, 2015	<u>\$ 10,011,881</u>
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Property and equipment donated directly or indirectly by the Department of Defense (DOD) can only be used for mission accomplishment, must be kept a minimum of one year before disposal action, and must be returned to the donor unless a waiver is granted, or unless the equipment is classified by the donor as nonreturnable.

Property and equipment purchased with funding from the DOD is restricted for mission support. Disposition of these assets requires approval and instructions from CAP-USAF. As of September 30, 2015, property and equipment restricted for specific purposes amounted to \$206,281,840, less accumulated depreciation of \$119,133,623, resulting in a balance of \$87,168,217.

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are as follows:

Accrued payroll and payroll taxes	\$ 1,248,016
Vendor payables	<u>1,977,159</u>
Total	<u>\$ 3,225,175</u>

9. DEFERRED REVENUE

Deferred revenue is detailed as follows:

Prepaid membership dues	\$ 817,578
Other	<u>96,738</u>
Total	<u>\$ 914,316</u>

10. LINE OF CREDIT

The Organization maintains a revolving line of credit with a local bank in the amount of \$2,000,000. The term of this line of credit is through August 1, 2016, with interest computed utilizing a variable interest rate. During the 2015 fiscal year, \$1,666,010 was advanced under the line of credit. All advances were repaid by year end. Total interest expense related to this note amounted to \$1,296 for the year ended September 30, 2015.

CIVIL AIR PATROL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015

11. NET ASSETS

Unrestricted Net Assets – Designated

The governing board has designated unrestricted net assets for:

Reserve funds	\$ 4,918,072
Scholarships	865,474
Other	183,286
Total	<u>\$ 5,966,832</u>

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Aerospace education activities:	
Scholarships	\$ 63,334
Other	6,082
Cadet program activities:	
Scholarships	385,845
Other	207,029
Senior program activities:	
Other	3,820
Other general activities:	
Subsequent years' use of property, equipment, and inventories	95,079,123
Support, maintenance, and modernization of aircraft fleet	4,162,228
Other	550,815
Total	<u>\$ 100,458,276</u>

Permanently Restricted Net Assets

Permanently restricted net assets are restricted for:

Scholarships	\$ 79,779
Other	51,209
Total	<u>\$ 130,988</u>

12. OPERATING LEASES

The Organization conducts a portion of its activities from leased facilities. Land, storage, office and hangar space is leased under operating leases ranging from month-to-month periodic leases to fifty (50) year term leases, expiring at various dates up to 2027. Many of these operating leases require no rental payments, or payments at less than fair rental value. Some of these leases have options to renew with automatic increases in rental payments, while other leases may be canceled during the lease term. Also, a facility is leased from a governmental municipality with a lease term (including automatic renewals) expiring in 2044. The Organization also leases various other equipment which is classified as operating leases. The majority of the leases require the Organization to pay taxes, insurance, and repairs and maintenance. In most cases, management expects that, in the normal course of activities, leases will be renewed or replaced by other leases.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2015:

Years ending September 30:

2016	\$ 392,980
2017	306,332
2018	175,079
2019	9,118
2020	2,422
	<u>\$ 885,931</u>

Total rental expense for all operating leases is \$450,822 for the year ended September 30, 2015.

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions are summarized as follows:

Satisfaction of purpose restrictions	\$ 1,487,605
Expiration of time restrictions	9,618,446
Other	29,854
Total	<u>\$ 11,135,905</u>

14. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) and defined contribution plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Code limits. The Organization may contribute a discretionary amount to the plan with immediate vesting. Organization contributions to the plan were \$334,101 for the year ended September 30, 2015, and are included in payroll taxes and benefits in the statement of functional expenses.

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15. RELATED PARTY TRANSACTIONS

Civil Air Patrol is an auxiliary of the USAF. The USAF can significantly influence the management and operating policies of the Organization by the restrictions on its contributions and contractual restrictions placed on exchange transactions. Accordingly, the USAF is a party related to the Organization. The Organization conducts emergency missions authorized by the USAF and receives reimbursement as an exchange transaction. Additionally, the Organization receives contributions of property, equipment, and use of facilities and utilities at no charge from the USAF to enable the Organization to continue programs and activities.

A description of significant related party transactions with amounts is presented below:

Transactions Providing Revenue:

From the USAF for:

Governmental appropriations	\$ 31,706,063
Contributions for:	
Use of facilities and utilities	1,760,674
Property, equipment, and inventories	<u>13,033,244</u>
Total	<u>\$ 46,499,981</u>

Transactions Incurring Expenses:

Expenses with the USAF for:

Facilities	<u>\$ 1,760,673</u>
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16. CONTINGENCIES AND COMMITMENTS

Legal Proceedings

There were legal proceedings against the Organization that arose in the normal course of business. While it is not feasible to predict or determine the outcome of these cases, the majority of these potential legal damages are adequately covered by insurance or by adequate defenses. It is the opinion of management that the outcome will not have a material adverse effect on the financial position of the Organization.

Self-Insured Accident Benefits

The Organization has established self-insured accident coverage for its senior and cadet members which provides benefits in the event of injuries or death incurred on authorized CAP activities. The benefits have been set at \$10,000 for accidental death, and \$8,000 per accident for medical expenses. Management has not arrived at an estimate of this risk retention exposure. Accordingly, no provision for liability has been established in the accompanying financial statements. Management believes exposure not to be significant at September 30, 2015.

17. FAIR VALUE MEASUREMENTS

The Organization's assets measured at fair value are based on one or more of three valuation techniques, which include the following:

Market approach – prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – amount that would be required to replace the service capacity of an asset (that is, replacement cost).

Income approach – techniques to convert future amounts to a single, present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

The Organization's Level 3 investments consist of investments in real estate investment trusts (REIT). These investments are valued at estimated fair value, based upon the Organization's interest, as determined in good faith and reported by the REIT.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of September 30, 2015.

The following fair value hierarchy table presents information about the Organization's investments measured at fair value on a recurring basis as of September 30, 2015.

	Level 1	Level 2	Level 3	Total
U.S. Treasury Bills	\$ 36,641	\$ -	\$ -	\$ 36,641
Annuities	81,479	-	-	81,479
Equities	7,076,019	-	-	7,076,019
Mutual funds	118,591	-	-	118,591
Real estate investment trusts	-	-	48,249	48,249
	<u>\$ 7,312,730</u>	<u>\$ -</u>	<u>\$ 48,249</u>	<u>\$ 7,360,979</u>

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17. FAIR VALUE MEASUREMENTS – CONTINUED

The following table presents a roll forward of the amounts for the year ended September 30, 2015, for Level 3 inputs:

	Beginning Balance	Net Acquisitions (Dispositions)	Net Gains (Losses)	Ending Balance
Real estate investment trusts	\$ 83,711	\$ (31,587)	\$ (3,875)	\$ 48,249

The gains in the above table are reported as net unrealized and realized gains on investments in the accompanying statement of activities for the year ended September 30, 2015.

As a measure of liquidity, the frequencies that investments may be redeemed or liquidated are noted in the following table, along with the number of days' notice required to liquidate investments at September 30, 2015.

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities	\$ 2,773,436	\$ -	Daily, monthly	3 – 10 days
International equities	1,246,666	-	Daily, monthly	3 – 10 days
Domestic fixed income	2,176,628	-	Daily, monthly	3 – 10 days
Private equity fund	48,249	-	Illiquid	Illiquid

18. CONCENTRATIONS

Concentration of Support

The Organization receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

Concentration of Credit Risk

The Organization maintains its cash in bank accounts, which at various times during the fiscal year exceed the federally insured limits.

As of September 30, 2015, the Organization's uninsured cash balances totaled \$10,697,841.

